

**Minutes (Draft) of the  
Cash Management Advisory Board  
October 25, 2017  
Via Telephone Conference Call**

**Attendees:**

William Desautelle, CMAB Member  
J. Victor Thompson, CMAB Member  
Lawrence Wilson, Assistant Treasurer, Cash Management  
Michael Terry, Principal Investment Officer, STIF  
Paul Coudert, Investment Officer, STIF  
Peter Gajowiak, Securities Analyst, STIF  
Marc Gagnon, Securities Analyst, STIF  
Leonora Gjonbalaj, Investment Technician II

**Minutes:**

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:10 a.m.

The minutes of the August 30, 2017 meeting were approved unanimously.

Mr. Terry stated that we continue to wait for the December 2017 FOMC meeting with the market showing an eighty-six percent chance that interest rates will increase by 25 basis points. Mr. Terry added that many FOMC members have indicated that interest rates need to go up to fend off inflationary pressure. Mr. Terry stated that assets in the fund after peaking at approximately \$7 billion have declined to around \$5.7 billion. Because of this, STIF has been somewhat more aggressive in managing liquidity pending the implementation of a new state budget as this could impact cash balances at both the municipal and state level. Mr. Desautelle asked about market liquidity with regard to the high expectation of increased interest rates. Mr. Terry replied that the market is very liquid with significant demand for product which has constrained yields. Mr. Terry added that STIF continues to look for floating rate securities in order to position ourselves for increased rates.

Mr. Terry stated that Standard and Poor's had just completed STIF's annual review and commented on how conservative the fund was against all measures. Mr. Thomson asked if STIF got the same reviewers from S&P every year. Mr. Terry stated that he believes the lead analyst is rotated every three years. Mr. Wilson added that although S&P could not promise it, he has every reason to believe that the rating will be reaffirmed by the end of the calendar year.

Mr. Coudert stated that for the quarter ending September 30, 2017, STIF earned an average annualized yield of 1.05 basis points versus 99 basis points for the iMoneyNet benchmark. For the one year period ending September 30, 2017, STIF earned 76 basis points versus 68 basis points for the benchmark. According to Mr. Coudert, STIF's current yield is 1.22 percent with a weighted average maturity of 37 days and a weighted average life of 92 days.

Mr. Desautelle asked if STIF's outperformance was directly attributable to its lower expense ratio. Mr. Wilson stated that it was both lower expense and security selection. After a discussion on security types being used within the industry and the effect some of these may have on fund yields, Mr. Terry added that the STIF rate will be higher than it has been on a net basis STIF recently stopped contributing to the reserve.

Mr. Coudert added that STIF reserves now total \$58 million with nearly \$1.9 million having been added in the 2018 fiscal year. Daily liquidity is approximately \$2.1 billion or 38 percent of the fund, and more than 31 percent of the portfolio is invested in securities with some sort of government support such as government backed repurchase agreements, agency securities, FDIC insured deposits, Federal Home Loan Bank letters of credit, and government money funds.

Mr. Desautelle asked if there is information in the annual report that shows how much more conservatively managed the STIF is versus its benchmark. Mr. Wilson stated that the portfolio's short maturity, government guaranteed securities, and the reserve, are reported in various portions of both the quarterly and annual reports. Mr. Wilson added that the office will assess whether there is additional information that can be included to show how conservatively the portfolio is managed.

Mr. Coudert stated the Extended Investment portfolio has assets of \$270 million earning 1.17 percent with an average life of two days.

Mr. Wilson stated it appears there may be an agreement on Connecticut's budget adding the state's budget office has done an effective job of keeping expenditures and revenues in-line on an executive order basis. Mr. Wilson added that the state's cash has been adequate but bond sales have been delayed.

Mr. Desautelle asked a question a question regarding the Treasurer's Community Banking Initiative. Mr. Wilson stated that CBI was established by state statute for the benefit of small community banks and credit unions with assets under \$1 billion.

With no further business, Mr. Wilson adjourned the meeting at 10:36 a.m.